

From: David K. Kleinberg  
Deputy Chief Financial Officer

To: DOT Chief Financial Officers  
Associate Administrators for Administration

Subject: Nation-wide Travel Management Services –Policy

Buying and paying for travel management services for the Federal government has undergone tremendous change. The new way of doing business will require all civilian Federal agencies to pay fees for travel services. Under the “old” rebate model, still in use by Federal agencies, Travel Management Centers (TMC) receive and keep the bulk of the commissions from airlines, hotels and car rental companies. TMCs use these commissions to fund their operating cost and profits. When airlines cut commissions, travel agency income is reduced and Federal agencies suffer a decrease in the level of service. In light of declining commissions (see attachment A), the new GSA Master Travel contract will require Federal agencies to pay set fees to TMCs for reservation services while airfare commissions go to the federal agencies. The result is a sound service level in which stable fees eliminate the effect of commission variability on the quality of travel services.

Soon, your organization could be required to select a new travel management services contract. This memorandum outlines the travel management services options available to your organizations and explains the flow of travel commissions under this new environment.

Option 1: GSA Master Travel Contract

The General Services Administration (GSA) has awarded its Travel Management Center Master Travel contract (see “[www.region9.gsa.gov/fss/tmcservices](http://www.region9.gsa.gov/fss/tmcservices)”). This contract, patterned after the Transportation Headquarters travel contract, allows Federal agencies to acquire travel services from GSA selected Travel Management Centers. The GSA Master Travel contract will replace the old GSA contracts in most regions.

Option 2: Transportation sponsored Multiple Award Travel Management Services contract

As you may know, we currently have a multi faceted travel solicitation “out on the street” and plan to award TMC services as an alternative to the GSA Master contract. Like the GSA’s Master contract, our contract allows Federal agencies to select travel management services from a list of travel management service providers. The contract’s main

innovation is a soon to be launched Federal Travel Booking web site in which travelers or travel arrangers have the option to book trips. We expect to award the travel agency portion of the contract in February 2000.

Option 3: Our current Headquarters Transportation contract with World Travel Partners (WTP)

This contract can be tendered to other organizational elements (see attachment *B* for a brief description of the Management Service contract and the Transportation contract with World Travel Partners). The Transportation Headquarters contract with World Travel Partners may not be available in all areas.

Regardless of which of these three vehicles your organization selects, it is our policy that your organization's travel contracts **must** include the following items:

- Travel agencies will give travelers exclusive access to the Transportation Federal Travel Booking web site when the booking site is available. Use of the booking site by travelers is not mandated.
- Travel agencies will promote and use the Transportation travel preferred vendors (see the CFO web site at <http://ostpxweb.dot.gov/budget/6travel.htm>)
- Travel agencies will remit *all* commissions (air, hotel and car rentals) and overrides back to your individual organization.

Pursuant to this policy, commissions generated from air, car, and hotel will be distributed back to your local account. Unlike most Federal agencies which require that travel rebates flow back to the originating appropriation, we have obtained special authority which enables us to group commissions and distribute these funds back to your local organization. Our authority also permits us to make these funds available to you until the end of the calendar year (instead of the fiscal year).

We believe that assigning the travel commissions to the field will result in the most tangible and meaningful benefits. These economic incentives will encourage the field to exploit TMC services to increase commission revenue, use more economical self booking rather than the traditional telephone reservation services and promote bookings with preferred vendors.

Action: Next Steps

The new GSA Master Travel contract does not initially cover all regions. *If your organization is not covered by GSA's new contract*, you have the choice of either extending your current GSA contract or selecting Transportation's Headquarters contract. The following contract requirements will be included in the GSA contract extensions:

- A commitment to use the DOT travel preferred vendors (see the CFO DOT web site at <http://ostpxweb.dot.gov/budget/6travel.htm>).
- A maximum contract extension length of one (1) year
- The right to exit from the GSA extended contract with 30 days notice.

*Organizations covered by the new GSA Master contract* must include in the GSA Task Order the following contract items:

- A price for transactions booked over Transportation Federal Travel Booking web site.
- A commitment to give travelers exclusive access to the Transportation Travel Booking web site within 30 days of the web site implementation date. Use of the booking site by travelers is not mandated.
- Transaction fees that are lower than or equal to the ones available under the Washington Headquarters contract (see attachment *B*).
- A commitment to use the DOT travel preferred vendors (see the CFO DOT web site at <http://ostpxweb.dot.gov/budget/6travel.htm>).
- The distribution of all commissions (air, hotel and car), overrides and “soft” compensation back to your organization
- A maximum task order length of one (1) year.

Attachment C provides a summary of the contract options available to our organizations. We are developing model language for the added task order provisions. Other Federal agencies electing to team up with a DOT organization on a Task Order are encouraged to adopt these policies to enhance their reimbursements and rebates. Task Orders must be endorsed by OST’s Office of Financial Management before submission to GSA.

For more information on the Transportation Headquarters and the Transportation Multiple Award contract or if you have general questions or comments please contact Andrew Julian at (202) 366-5623 or [andrew.julian@ost.dot.gov](mailto:andrew.julian@ost.dot.gov).

Cc: FMC members

## ATTACHMENT B

### 1. Transportation's Web-based Travel Management Services Contract (in process)

- Fee for service - DOT collects *all airline (domestic and international), hotel and car commissions* and pays the travel management contractor specific fees for reservation services.
- Four components:
  - A. Travel Management Centers (available within the United States)
  - B. Electronic Fulfillment Supplier (issues airline tickets, travel documents and support services as required by the traveler),
  - C. Travel Management Centers for the Disabled and Special Services (to provide certain high intensity and specialized travel agency services to the disabled, international, VIP and other travelers), and
  - D. Web based Booking Engine (to book air hotel and cars).
- Fee for services – There will be fixed prices for the various services detailed in the contract.
- Contract award – the travel management center component of the solicitation is expected to be awarded in early calendar year 2000.
- The DOT solicitation can be found at [www.eps.gov](http://www.eps.gov) (under DOT, Transportation Acquisition Service Center, posted date September 9, 1999).

## 2. Transportation Headquarters Travel Contract with World Travel Partners

- Fee for service - In place since February, 1999, the contract with World Travel Partners was the first fee for service travel management services contract in the Federal government. We collect all domestic airline, hotel & car commissions and overrides and pays the travel management contractor fees for specific reservation services.
- Three tiered pricing – Ticketing fees are characterized by a menu of travel management reservation services (telephone, E-mail/fax and self booking) from which the traveler can select from. Costs are lower when reservations use more automation. Ticketing fees are reduced when the traveler or travel arranger books the travel rather than talking to a travel agent on the phone.

<b>Booking Method</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
Web Booking	TBD*	TBD	TBD
E-Mail/Fax	\$22.71	\$23.50	\$24.33
Phone	\$31.92	\$33.04	\$34.20

\* To be determined.

- Quality Standards - To assure DOT travelers that commercial standards of the quality of service and accommodations are achieved, quality standards must be met before the travel management contractor participates in the savings. Examples of quality standards include measures for accurate and confirmed reservations, phone response time, travel satisfaction, and policy compliance.